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May 24, 2006

**Managed Risk Medical Insurance Board (MRMIB)
2006-2009 Actuarial Model Contract and Proposal Solicitation
For Actuarial Consulting Services**

This notice provides important information regarding the Managed Risk Medical Insurance Board's (MRMIB) interest in and selection of one or more contractors to provide MRMIB with actuarial consulting services.

The Contractor(s) will perform highly specialized actuarial consulting services for the Board's programs. Those programs are discussed below.

This contract(s) will have a three year term and may be extended by amendment for additional periods of time if the State, at its discretion, decides to seek such extensions.

This packet contains the necessary information to prepare a proposal for providing actuarial consulting services to the MRMIB for the period October 1, 2006 through September 30, 2009.

Entities wishing to submit a proposal for *actuarial consulting services* must assure that their completed proposals are received at the MRMIB offices no later than 5 P.M. on Monday, July 10, 2006. Late submissions will not be accepted.

BACKGROUND

The Managed Risk Medical Insurance Board (MRMIB) administers programs which provide health coverage through health, dental and vision plans to certain groups who do not have health insurance or who need more affordable health insurance. In addition, the Board develops policy and recommendations on providing health insurance to the over six million Californians who have no coverage. The programs administered by MRMIB are:

1. Major Risk Medical Insurance Program (MRMIP)

MRMIP is open to California residents who are unable to obtain adequate individual health insurance through the private market. The Board currently contracts with one private health plan offering preferred provider organization (PPO) coverage and three health plans offering health maintenance organization (HMO) coverage. These plans provide health coverage to qualified individuals who pay monthly rates at 125% to 137.5% of what the same benefits would cost (for any given age and geographic location) in the same underwritten market. The State pays the difference between the subscriber rate and the cost of coverage. The program covers services up to \$75,000 per individual per year, and \$750,000 per lifetime. Because the State has a capped appropriation of \$40 million, from the Cigarette and Tobacco Products Surtax Fund, enrollment is limited to an actuarially estimated number of eligibles -- currently not to exceed 10,227 subscribers and dependents. Even though current enrollment of 8,937 subscribers is below the cap, projected claims costs for 2006-07 required the Board to set a lower cap and establish a waiting list. Currently, three of the health plans used in the program have risk threshold arrangements with the State and one health plan has an administrative services only arrangement for payment. MRMIB contracts out eligibility determinations, enrollment services, and premium collections to an administrative vendor, currently Blue Cross of California, who is also one of the health plan contractors.

Since enrollment had been in a steady state of decline over several years, due to MRMIP's capped appropriation and general medical inflation, reforms were implemented in 2003 to provide a market based solution for covering a greater number of the medically uninsurable. This added what the Board refers to as the Guaranteed Issue Program or GIP.

The GIP was authorized on a pilot basis by Chapter 794, Statutes of 2002 (AB 1401-Thomson). Major features of the GIP pilot program pertaining to MRMIP are:

- Established a 36-consecutive month time limit for individuals to receive MRMIP coverage, after which they may transition into guaranteed issue private health insurance coverage in the individual market.
- All carriers in the individual market are required to offer to a person who leaves MRMIP due to the time limit a guaranteed issue product patterned on one of the products available through MRMIP.
- The carrier must charge the enrollee 10% more than the amount the individual would pay for the same benefit design in MRMIP coverage.
- Increases the annual benefits limit to \$200,000 (from \$75,000).
- The State and health plans offering guaranteed issue coverage equally share the difference between the amount enrollees pay for coverage (i.e., premiums paid) and the actual health care expenditures paid out for them. In addition,

- the State pays an administrative fee for each person, based on what it pays plans participating in MRMIP.
- No additional State funding for the GIP was provided, so the State's share of GIP payments is made from the same \$40 million in tobacco taxes that fund MRMIP.
 - GIP was established as a pilot project, starting on September 1, 2003 and ending on August 31, 2007.

The GIP pilot covered 6,775 individuals in 2005. Around 75% of those timed out from MRMIP took up GIP coverage and those who did, utilized services at a greater rate than those in MRMIP. Since the GIP subscribers will eventually take a larger proportion of the capped appropriation, the Board will be exploring a number of funding and program design options to improve access for the medically uninsurable.

In 2002, through the Federal Trade Act, Congress included limited federal funding for state risk pools such as MRMIP, but set a number of conditions that made it difficult for California to obtain funding, given the current structure of MRMIP. The 2005 amendments to the high risk pool provisions of the Federal Trade Act appears to have lifted most of the barriers that prevented California from accessing federal funds, and California expects to apply for them. The Board is exploring, with the assistance of its current actuary, the best uses for Federal Trade Act funding. These explorations will continue under the new contract.

More information about MRMIB and GIP, including a recently published Fact Book, is available at our website at www.mrmib.ca.gov

2. Access for Infants and Mothers (AIM) Program

The objective of this program is to provide comprehensive health care to uninsured pregnant women and to link their newborn babies to coverage via our Healthy Families Program. Eligibility is targeted toward those pregnant women whose adjusted family income is between 200% and 300% of the Federal Poverty Level. (Those with incomes up to 200% of the Federal Poverty Level are generally eligible for the State's Medi-Cal Program.) The AIM program provides subsidized comprehensive coverage through health plans and covers eligible women during their pregnancies and for 60 days post partum. The program once covered babies up to their second birthday, but now the babies are automatically in HFP. Costs are funded from the Cigarette and Tobacco Products Surtax Fund, subscriber premiums and, due to recent federal approval, Federal funds from the State Children's Health Insurance Program (SCHIP). Subscribers pay 1.5 percent of their adjusted annual income to participate in the program. The Program began in 1992, and currently (as of April 2006) serves 6,691 pregnant

women, with an average new enrollment of nearly 900 women per month. The 2006/07 Governor's Budget (January) proposes spending \$114.5 million in State and Federal Funds on AIM.

There are eight health plans currently participating in AIM, [offering a total of nine service delivery models]. Seven are HMO models and one is an exclusive provider organization (EPO) model. Five health plans in AIM have full risk arrangements with the State and three small, county government directed plans, (with lower enrollment) have aggregate risk-sharing arrangements.

The Board is expected to reopen AIM through another model contract and solicitation process in December of 2006, for contracts starting in July 2007.

More information about AIM is available on the MRMIB website at www.mrmib.ca.gov

3. The Healthy Families Program (HFP)

In August 1997, the Federal Government established the State Children's Health Insurance Program (SCHIP) to provide health insurance for the uninsured children of low-income families. The program targets children whose family's income, although low, was too high to qualify for the Title XIX Medicaid Program (Medi-Cal in California).

SCHIP offered the states the option of expanding Medicaid coverage; establishing a new, separate program; or doing a combination of expanding Medicaid and creating a separate program. California's Legislature passed, and the Governor signed, AB 1126 (Chapter 623, Statutes of 1997), which both expanded its Medi-Cal Program (administered by the Department of Health Services) and established a new program. MRMIB was given the responsibility of establishing the new program, called the Healthy Families Program (HFP).

As of April 2006 the HFP serves approximately 747,000 children.

In 2006/2007 children will be served through twenty-one health plans offering twenty-one health maintenance organizations and three exclusive provider organizations. HFP also offers dental services through six plans, two of which offer exclusive provider indemnity models and four of which offer dental maintenance organizations. Children also receive vision services through three specialty service vision plans.

The Board also contracts with an administrative vendor, currently MAXIMUS, Inc, for eligibility determination, enrollment services and premium collections in HFP and AIM. This contract runs through December 31, 2008, with the potential for two one-year extensions.

Subscriber premiums range from \$4 to \$45 per month and are based on family size, family income and the health plan chosen by the applicant. Families also pay limited co-payments.

The 2006/07 Governor's Budget (January) proposes an expenditure level for HFP in the amount of \$1.1 billion for direct program and contracted program costs. Of this total, the Federal Government provides approximately 65% in Title XXI funding. The balance of 35% is funded out of State General Fund. A small group of Legal Immigrant Children, which do not qualify for federal funding, are funded by the State's General Fund.

In December 2001, the Federal Government approved a "Section III5" SCHIP waiver to allow California to utilize unused SCHIP funds to cover the parents of children enrolled in HFP and Medi-Cal. However, due to the State's continuing tight budget, HFP has not been expanded to cover parents.

In 2007, the Federal SCHIP program is scheduled to be re-authorized, with the potential for lower availability of Federal Funds.

More information about HFP is available on the MRMIB website at www.mrmib.ca.gov

3. The County Children's Health Initiative Program and County Buy-In Program

California counties have pioneered the development of a nationally recognized model for expanding health coverage to children ineligible for State programs. They are known as Healthy Kids Programs, or Children's Health Initiatives (CHI). CHI's are modeled after the Healthy Families Program.

In 2001, Chapter 648, Statutes of 2001 (AB 495-Diaz) was enacted. AB 495 allows local governments to put up the 35% state share of funding, in order to draw the 65% federal funding and expand coverage of SCHIP eligible children at the local level. To implement this, the Board established the County Children's Health Initiative Program (C-CHIP). Currently three counties participate, and obtain FFP for coverage of children whose family incomes exceed 250%, and is up to and including, 300% of the Federal Poverty Level.

In 2005, Chapter 80, Statutes of 2005, was enacted. It authorizes the HFP Buy-In Program which allows interested counties to establish their own local CHI by purchasing administrative services and health coverage from MRMIB's contract network, for children who do not qualify for no-cost Medi-Cal or for HFP. The Board intends to open this program in January 2007.

CURRENT ACTUARIAL CONTRACTOR

The Board currently has a contract with PricewaterhouseCoopers. The State's present expectation is that the new contract(s) with the selected contractor(s) would begin October 1, 2006.

FUNDING AND CONTRACT MECHANICS

The Actuarial Service Model Contract (Attachment II) lists a number of potential tasks, which are requested by the Board on an "on call" basis. Not all the tasks will be called for by the State. When a task is needed, the State and the Contractor negotiate the task parameters and the resources and time frames allotted to the task. The existing contract is invoiced largely through billable hourly rates, plus administrative overhead not included in the Contractor's hourly rate cost. The estimated amount of this contract over the three years is \$600,000 (approximately \$200,000 each year). Part of this contract will be funded from the State's Title XXI allotment, and all bidders will be asked to sign a certification regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion from Federally funded programs (Attachment IX).

CONTRACTING PROCESS

The enabling legislation for the MRMIB's four current programs, MRMIP, AIM, HFP and C-CHIP, exempts the MRMIB from the provisions of State law related to formal competitive bidding. MRMIB will use a competitive negotiation process to select an actuarial consultant. The competitive negotiation process is not a Request for Proposal. Rather, it is a dynamic, competitive process, through which the State can evaluate and test, through a negotiation process, the strengths and weaknesses of potential vendors and their proposals, and make a final selection based on the State's evaluation of the competitors. The goal of the negotiation process is to obtain a high quality level of service at a competitive price.

In the actuarial services contract competitive negotiation process, all potential vendors are provided with the 2006/2009 Model Contract (Attachment II). The Model Contract generally describes those actuarial tasks the State is seeking to purchase. Potential vendors are encouraged to offer alternative methods for providing the State's desired outcomes by changing the model contract tasks and other language to meet their individual business practices and/or to take advantage of other creative approached solutions not identified by the State. However, regardless of the nature and scope of such creative approaches, the State, at its sole discretion, must be able to determine to its satisfaction that the bidder is willing and able to perform the tasks and accept the contract terms deemed essential by the State.

In this bidding cycle the State may award one or more actuarial services consulting contracts, by either splitting the tasks based on the strengths demonstrated during the competitive negotiation process, or giving one or more

contractors the ability to be “on call” simultaneously for some or all of the proposed tasks.

Potential vendors will also be asked to focus in depth on their approach to several key tasks and to cost out the resources, in time, staffing and dollars to accomplish the key tasks. (See Attachment IV).

The State may, at its election, accept proposals as submitted and make its selection(s) based on those proposals. Alternatively, other information may be sought from some or all potential vendors by way of oral presentations or additional submissions, and in addition, potential vendors may be asked to enter into negotiations with the State, and to discuss matters of concern to the State, such as modifications requested by the potential vendor or the State, as well as changes in task descriptions and other contract language and/or price and changes in the approach provided by the potential vendor in key tasks. The State will conduct an analytical review and evaluation of each vendor proposal consistent with the Board’s selection criteria articulated below, or such other criteria that the State may choose to include as this selection process progresses. No one area of the State’s selection criteria is more important than any other area. The State is the sole judge of proposed changes in model contract language and proposed alternative methods for achieving desired contractual outcomes.

Any and all awards made pursuant to this solicitation will be made in accordance with the State’s determination, at its sole discretion, of its best interest. The State reserves the right, at its sole discretion, to reject any or all proposals or other submissions for any reason and at any time. Nothing in these solicitation documents constitutes a representation by the State to the effect that any contract will be awarded to any vendor.

All costs incurred by potential vendors in connection with this selection process will be born by the potential vendors and not by the State. The State makes no representation that any document or other information submitted pursuant to this solicitation can or will be kept confidential by the State, even if such document or other submission is marked or otherwise indicated to be proprietary or otherwise confidential.

CONTACT PERSON

The contact person for this solicitation is Dennis Gilliam, Contracts Administrator who can be contacted at dgilliam@mrmib.ca.gov. However, all questions concerning this solicitation package and the selection process should be directed to ActuarySolicitation@mrmib.ca.gov

BIDDERS CONFERENCE

A meeting of interested potential vendors will be held on **Wednesday, June 14, 2006** from 2:00 pm to 4:00 pm at the MRMIB offices located at 1000 G Street, Suite 450, Sacramento, California. At the meeting, MRMIB staff will describe the solicitation and process and potential vendors' questions will be answered. Written responses to questions will be provided to all potential vendors.

At the State's option, oral presentations on **July 27 and 28, 2006** may be required of bidders.

After the staff has completed the competitive negotiation process, MRMIB will select vendor(s) at its **September 20, 2006** meeting. The effective date of the agreement is expected to be **October 1, 2006**.

SELECTION CRITERIA

The State will select a vendor based on an assessment of the best overall value to the State.

The State will review responses to this solicitation in their entirety using the following factors:

Minimum Qualifications

Prior to evaluating the proposal package, staff will evaluate the proposal to assure that the vendor meets the minimum qualifications.

The State will only accept proposals from vendors who meet the following minimum qualifications:

1. The bidder has on staff a Fellow of the Society of Actuaries or a member of the American Academy of Actuaries, who would be assigned to work on this contract.
2. The bidder has experience in assisting public and private entities in the development and management of health programs.
3. The bidder has prior experience with health insurance pricing.

Proposals which do not meet these minimum qualifications will not be further evaluated and will be eliminated from the competitive negotiation process.

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Additional Qualifications

Vendors which meet the minimum qualifications will be further evaluated as follows:

1. Background Qualifications. This may include:

- Demonstrated knowledge of and experience, particularly in California, in health benefit cost analysis using actuarial methods.
- Knowledge and experience of assigned professional staff.
- Verifiable experience in conducting studies and analyses of state risk pools, maternity and child health or analogous programs, the Title XXI SCHIP programs in California or other states, and risk assessment and risk adjustment.
- Organization structure demonstrates overall accountability and accessibility of assigned staff.
- Availability and relevance of data sources.
- Extent of experience consulting with public sector programs.
- Information gathered from references provided as part of the proposal.
- Absence of professional relationships that pose potential conflicts of interests with the bidder's obligations to the State and that cannot be managed consistent with the needs of the State. In evaluating the bidder's potential conflicts, the State will determine, in the State's sole discretion, whether any of the bidders' professional relationships constitute conflicts of interest that cannot be managed consistent with the needs of the State or to the satisfaction of the State. The Board reserves the right to resolve potential conflicts through negotiations with a vendor over staffing assignments for the contract.

2. Proposed Approach and Methodology for Key Tasks (Attachment IV)

- Understanding of the issues and concerns of the HFP, the MRMIP and the AIM program, as demonstrated through the vendor's model contract task changes.
- Originality, practicability and feasibility of the bidder's approach to the identified key tasks for Board programs.
- Bidder's ability to communicate clearly and effectively to persons without strong actuarial backgrounds, as demonstrated by the written approach to each task, and the competitive negotiation process.
- Demonstrated ability to utilize in house and outside data sources in an effective manner to advise the State on task solutions.

- Cost effectiveness in completing tasks

3. Potential Project Cost

- The proposed hourly rates, staffing levels and time needed to complete tasks are competitive with those proposed by other bidders.
- Appropriate level of staff are proposed for each task.
- Proposed costs adequately reflect the contractor's ability to meet the key tasks in each program which will be costed out in the proposal. Please note: Travel costs, excluding travel time to meetings in Sacramento, will be reimbursed at allowable state government rates under this contract.

4. Acceptance/modification of model contract language

- A bidder's request to change the language of the Model Contract in a way that indicates the plan's inability or unwillingness to meet performance and quality standards or to accept other model contractual terms/language will count against the bidder during the evaluation process.
- A bidder's request to change the language of the Model Contract in a way that the State, at its discretion, concludes will improve to the service levels and/or terms of the Model Contract will count in favor of the bidder during the evaluation process.

PROPOSAL FORMAT

A complete proposal includes all of the items listed below.

One original and three copies of all requested items in 3 ring binders must be received by the MRMIB, Attn: Dennis Gilliam at 1000 G Street, Suite 450, Sacramento, California 95814 by 5:00 p.m. on **Monday, July 10, 2006**. **Late submissions will not be accepted.**

- 1) **Cover letter:** This letter should be on the bidder's letterhead and should be signed by a person able to enter into contracts on behalf of the bidder. The letter should include the name, title, phone, fax number e-mail address of the bidder's contact person for any follow-up contact required by the MRMIB, the Federal Tax Identification number and all information required to complete the coversheet of the Model Contract.

The cover letter should certify that the bidder meets the minimum Qualifications listed in this letter above. A format for the letter is attached as Attachment I.

- 2) **Model Contract Language:** Enclosed is the 2006/2009 Actuarial Services Model Contract. The Model Contract includes the expected frequency of the tasks listed in Exhibit A, Scope of Work, of the Model Contract. Vendors interested in contracting with the MRMIB should carefully review the contract and prepare a “red-line version” indicating modifications and changes to the contract. Bidders should not retype the Model Contract. Proposed changes should be indicated directly on the enclosed model contract document using strikeouts and underlines. Please do not use italics. Where appropriate, additional pages may be inserted. Note that changes to the Model Contract will be evaluated as part of the criteria for selection of a vendor. The Model Contract is Attachment II.
- 3) **Vendor Qualifications and References:** The format for submitting vendor qualifications and references is outlined in Attachment III.
- 4) **Key Task Strategy and Cost Evaluation Worksheets:** The format for these is outlined in Attachment IV.
- 5) **Proposal Cost Format:** The format for the hourly rates by staffing level subcontractors and other expenses is included as Attachment V.
- 6) **Use of Subcontractors:** A summary of all use of subcontractors using the format included in Attachment VI.
- 7) **Contractor Certification:** A completed and signed Certification, certifying that the vendor is in compliance with State required contractor certification clauses. This should be signed by a person authorized to sign contracts, preferably the person signing the cover letter. This is Attachment VII.
- 8) **Debarment Certification:** A completed and signed Debarment Certification, required by all vendors in their competition as a condition for receiving Federal funding. This is Attachment VIII.

INFORMATION ENCLOSURES

The following will provide additional information about the Board and its programs that may be useful in preparing proposals. All are available under Contract Solicitations on the Board’s website at www.mrmib.ca.gov

- MRMIP Statute
- AB 1401 Statute
- Current MRMIP Regulations
- 2006 MRMIP Fact Book
- May 2006 MRMIP Enrollment Estimate
- MRMIP Handbook and Application

- AIM Statute
- Current AIM Regulations
- AIM Handbook and Application
- HFP Statute
- HFP Regulations
- Joint HFP/MediCal Application
- HFP Handbook
- C-CHIP Statute
- HFP Buy In Statute